237

51

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY [illegible] DATE 1/24/03
RD [illegible] RD [illegible] DATE
TS AUTH. REASON(S)
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CONFIDENTIAL MEMO

TO: NEA - Alfred L. Atherton, Jr.

FROM: NEA/IAI - H. H. Stackhouse

SUBJ: USS LIBERTY Claims

I have discussed with L Ambassador Barbour's letter to you of August 6, 1971, supporting a draft Israeli proposal of a $100,000 token settlement of the outstanding claim for damage to the LIBERTY. L agrees with me that the suggested sum is so small as to clearly call for a ~~friendly~~ courteous rejection out of hand. You will find attached an ~~outline of L's thinking which I suggest you incorporate directly into a reply to~~ suggested draft reply to Owen Zurhellen, largely drafted by L. ~~I further suggest that we frame the letter in a way that would allow Owen to leave a copy with the Israelis should he deem it useful to do so.~~ I ~~suggest, too, that we include a paragraph~~ addressed to the public relations aspect as follows:

> Consideration of legal precedent and principle aside, it is ~~most~~ pertinent to note, as well, that our ~~acquiescence~~ agreement to the Israeli suggestion would run the risk of rekindling ~~[illegible]~~ U.S. public interest in ~~what remains~~ a ~~potentially~~ ~~[illegible]~~ touchy ~~domestic~~ issue, adverse to both the State Department and Israel. Although the matter has been ~~relatively~~ quiet for some time, a ~~large~~ body of public sentiment exists which could be expected to protest ~~[illegible]~~ what might ~~easily~~

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be interpreted as our g~~enerous~~ abandonment of a position whose merit the GOI, itself, originally ~~rushed~~ quickly to recognized. Besides exposing the Department to criticism ~~that would be extremely difficult to defend against~~, we believe the ~~readily anticipated~~ adverse public reaction could also be contrary to the best interests of Israel's own regulation. In this regard, the average American taxpayer would likely find it hard to reconcile a settlement of less than two cents on the dollar in the case of the LIBERTY ~~which~~ with our ~~generous financial support~~ recent large scale support for Israel for Israel over the years. Moreover, ~~taxpayer enthusiasm for future United States financial assistance to Israel of the order which the Israelis are currently seeking would, in our view, be sharply reduced.~~ would sharply reduce

Attachment:

L's Outline

NEA/IAI:GRCella
8/23/71

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